Forget Air Canada (TSX:AC) and Bet on This Dividend Stock for Explosive Gains!

Description

The airline industry has been among the worst-hit amid the COVID-19 pandemic. As the dreaded virus wreaked havoc all over the world, governments shut their borders and grounded flights. Air travel came to a standstill, as economic lockdowns and quarantine protocols meant people remained largely at home.

Air Canada (TSX:AC) was one of the top-performing stocks in the decade prior to the pandemic and generated returns of 3,600% in that period. However, it soon touched a multi-year low, wiping off 80% in market value in less than two months last year.

The airline sector is a capital-intensive one, which means these companies are debt heavy. Air Canada raised significant debt capital in 2020 to boost its liquidity and tide over these uncertain times. However, when sales are plummeting, investors will remain nervous about the credit repayment ability of Air Canada and its peers.

Air Canada stock will remain volatile in 2021

Air Canada stock is currently trading $29.8, which is 222% above its 52-week low. However, it's still trading 43% below its record high. Now, as vaccine rollouts gather pace, investors will hope for air travel to resume and normalcy to return.

According to a report from IATA (International Air Transport Association), the airline industry is forecast to report losses between $75 billion and $95 billion in 2021. These estimates are significantly higher than the previous guidance where losses were projected at $48 billion.

Further, rising oil prices are a major headwind for Air Canada. Jet fuel accounts for 15-20% of an airline's total expense. Companies in the airline space derived impressive profits in the last decade partly due to low oil prices.

Now, WTI is trading around US$66 per barrel, significantly higher than the US$36-per-barrel price last November.

The pandemic forced people to work from home, and this trend is expected to continue, even after COVID-19 is brought under control. Business-class travel helps airlines generate a good chunk of profits, and this is another headwind investors need to be aware of.

Brookfield Renewable is a top dividend stock

Instead of purchasing a high-risk stock like Air Canada, investors should buy a cash cow like **Brookfield Renewable Partners** (TSX:BEP.UN)(NYSE:BEP). This Canada-based entity owns and operates a portfolio of renewable power-generating facilities, including 193 hydroelectric stations, 11 wind facilities, and two natural gas plants.

The company is a renewable energy giant with one of the most diversified base of assets in this industry. It remains well poised to benefit from the global transition towards renewable energy. Hydro accounts for 64% of the company's total cash flow, followed by wind energy at 27% and solar at 9%.

Shares of Brookfield Renewable Partners are trading at $51.4, which is 19% below its record high. The recent pullback has meant the stock sports an attractive dividend yield of 3%.

Over the last few years, Brookfield has built an enviable backlog of renewable energy projects. This base of cash-generating assets will allow the company to increase cash flow per share between 11% and 16% through 2025, which means it should continue to increase dividend payments going forward.

CATEGORY

1. Dividend Stocks
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1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. TSX:AC (Air Canada)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)

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